

Chapter 1. Insurance Coverage in Washington

Sources, Patterns, and Trends

Introduction

This chapter examines major sources of insurance coverage held by people in Washington and how they have changed over the previous decade. The chapter also looks at how types of insurance coverage vary according to factors such as income, geographic region, and ethnicity or race. It briefly discusses various pathways that lead to coverage by particular types of insurance. The chapter also reviews major trends in public insurance enrollment and factors affecting enrollment levels, such as eligibility expansions and welfare reform. We also briefly review trends in the availability of employment-based insurance among employed persons and discuss how observed changes in insurance were affected (or not) by changes in regulation of the insurance industry.

The rate of uninsured declined in Washington in the 1990s as a result of increased access to public insurance along with stability in the employment-based market. The major increase in public insurance enrollment has been among children. Employment-based insurance remains the largest single source, covering 71 percent of the population under age 65. The individual insurance market provides coverage for about 6 percent of Washington's population.

Almost all people over age 65 are covered by Medicare, and some of these individuals receive additional coverage through employer or public plans. Given almost universal coverage for those over age 65, the major issues for that group revolve around scope of benefits (and more recently access to providers) rather than the presence or absence of health insurance. Consequently, this chapter (and this report) focuses on the population under 65, where vulnerability for being uninsured is the greatest.

When assigning people to forms of coverage, we have used a hierarchy to sort those with more than one form of coverage. This hierarchy gives first priority to Medicare, then employment-based insurance, then other public coverage, then individual insurance. This hierarchy reflects the usual "dominant payer" when dual coverage exists. For example, when a person is covered by both Medicaid and employment-based insurance, Medicaid rules require that it be the payer of last resort. Because of this hierarchy and the fact that survey results rarely match enrollment data precisely, the proportions in public programs shown here may vary from those obtained using public program enrollment data.

Major Findings

Major Sources of Insurance

- In 2000, 91.7 percent of Washington's total population was insured; 90.8 percent of the population under age 65 was insured.
- In 2000, about 64 percent of the total population had employer-based coverage. For the population under age 65 this proportion was about 71 percent.
- In 2000, about 20 percent of children (aged 0-18) were covered by public insurance, and about 12 percent of adults aged 19 through 64 were covered by public plans.
- In the employment-based sector, 84 percent of workers and dependents under age 65 had insurance provided by a private employer, 12 percent by federal, state, and local governments, and 4 percent by the military.
- A third category, individual insurance, covers about 6 percent of the population under age 65.

Subgroup Differences in Coverage Among Persons Under Age 65

- Those above 200 percent of the federal poverty level (FPL) are twice as likely to have employment-based insurance as lower-income individuals (82.8 percent compared to 40 percent).
- Public insurance fills the gaps for many lower-income individuals, with more than one-third (34.6%) of those under 200 percent FPL insured through public programs.
- Employment-based insurance is more prevalent in urban than rural areas of the state.
- Among racial/ethnic groups, Hispanics and Native Americans/Alaska Natives are least likely to have employment-based insurance; non-Hispanic Whites are most likely.

Trends in Insurance Coverage and Patterns of Coverage

- Washington saw a generally declining rate of the uninsured from 1993 through 2000. An increase in the proportion enrolled in public programs accounted for most of this decrease. The proportion enrolled in employment-based insurance remained stable.
- From 1993 to 1997, there was little change in the share of employees eligible for coverage, offered coverage, and actually enrolled at their workplace. Most employees who are eligible do enroll.
- Individual insurance remained a small portion of the market. Enrollment in the high-risk pool, a government-regulated "safety net" for high-cost enrollees, expanded or contracted according to the availability of individual commercial coverage in different parts of the state.

Major Sources of Insurance in Washington

The chart below summarizes major pathways of receiving insurance in Washington state by age group. For the rest of the report we will be focusing on the population under age 65 since the uninsured rate for the 65 and older population is minimal due to Medicare, and the purpose of this report is to identify uninsured populations that might benefit from state-level policy changes designed to improve coverage.

Figure 1-1. Major Insurance Coverage Pathways, Washington State

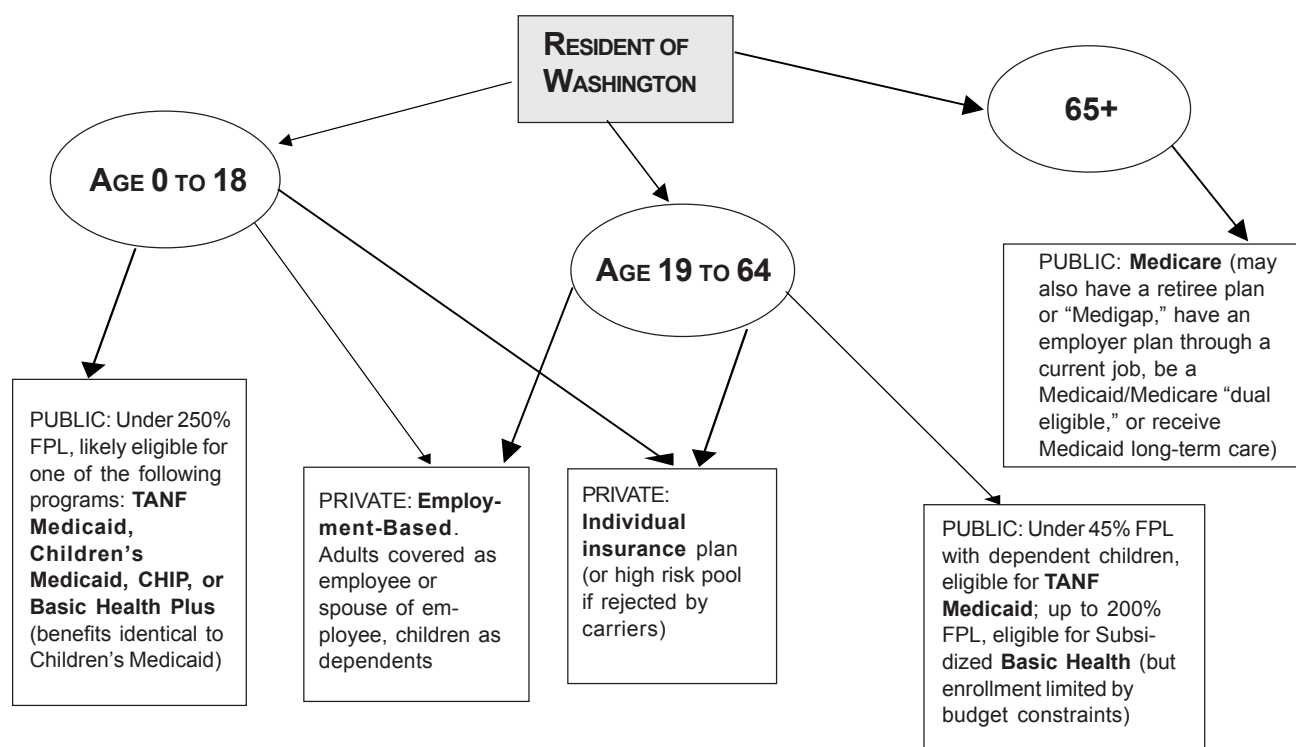
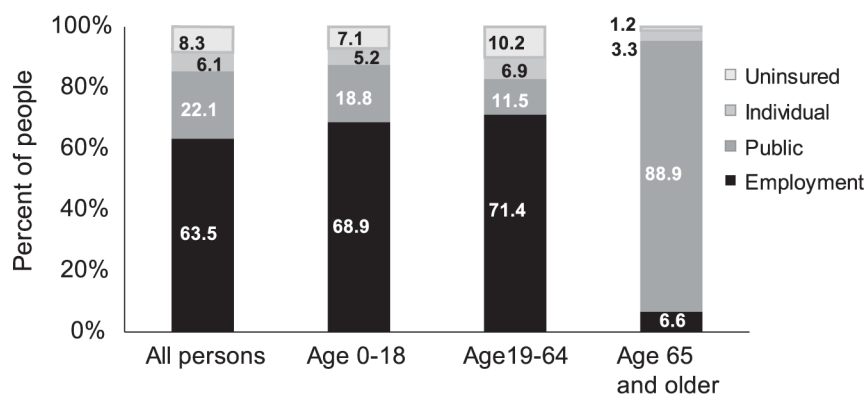


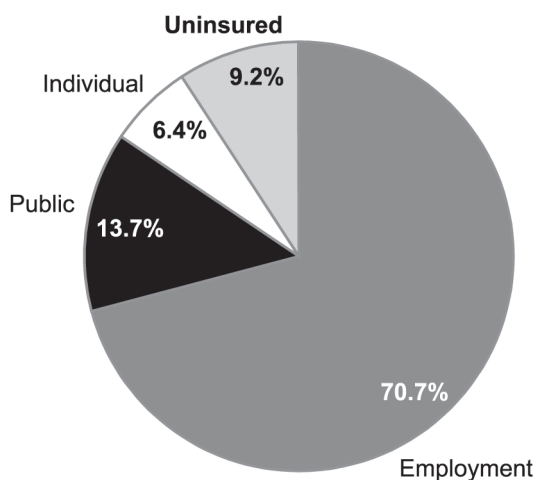
Figure 1-2. Primary Source of Insurance Coverage by Age Group, 2000



Sources of insurance vary with age. Public insurance is dominant for those over age 65, with 88.9 percent primarily covered by Medicare and only 6.6 percent receiving primary coverage through an employer. Employment-based insurance is predominant for other age groups, although almost one in five children is primarily covered by public plans.

Source: 2000 Washington State Population Survey.

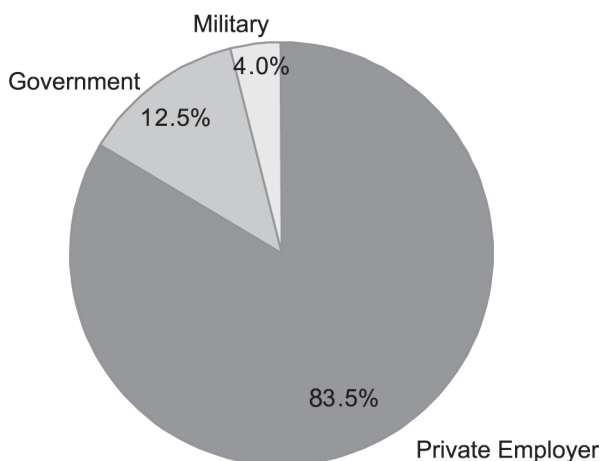
Figure 1-3. Primary Source of Insurance Coverage for those Under Age 65, 2000



Source: 2000 Washington State Population Survey.

For the population under 65, about 71 percent have employer-sponsored coverage, 14 percent are primarily covered by public plans, and 6 percent are in individual insurance. Despite a relatively small enrollment, individual insurance provides coverage for those who become unemployed, retirees not yet eligible for Medicare, and employees (and their dependents) who work in firms that do not offer insurance or are self-employed.

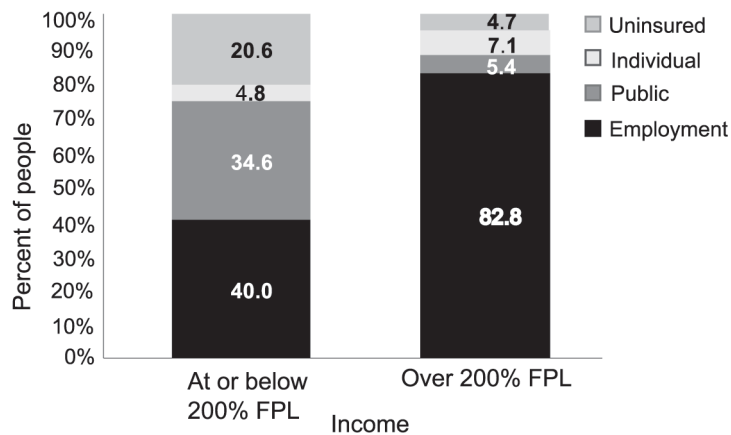
Figure 1-4. Major Sources of Employer Coverage for Workers Under Age 65 (and Their Dependents) with Employer Coverage, 2000



Source: 2000 Washington State Population Survey.

Among workers under age 65 and their dependents with employer coverage, about 84 percent have insurance provided by a private employer, about 13 percent have insurance provided by federal, state, and local governments, and 4 percent have coverage provided by the military.

Figure 1-5. Sources of Insurance (and Uninsured) Above and Below 200 Percent of the Federal Poverty Level, 2000



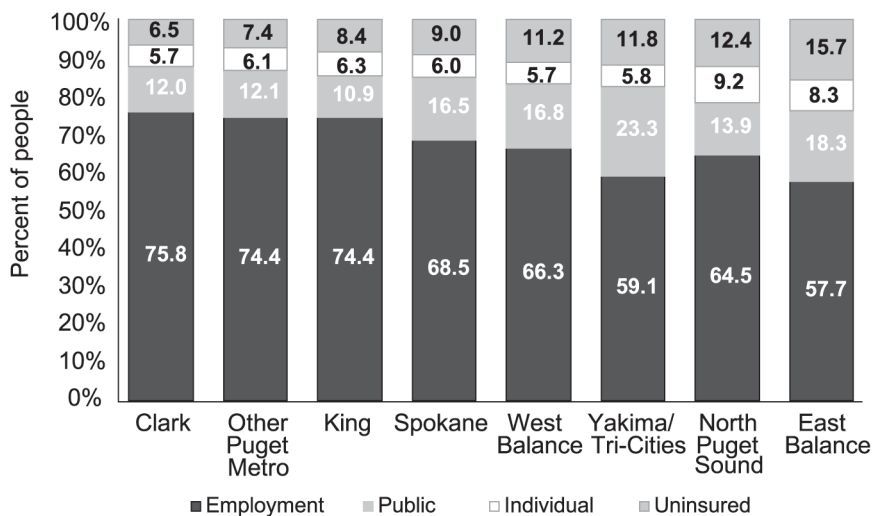
Source: 2000 Washington State Population Survey. Data refer to the population under 65.

Factors Affecting Sources of Coverage for Those Under Age 65

The type of insurance coverage varies substantially by income. The likelihood of having employer coverage is twice as high among those with family incomes above 200 percent FPL compared to those with lower incomes. Among those with a family income at or below 200 percent FPL, 40 percent are in an employment-based plan, compared to 82.8 percent for those above 200 percent FPL.

Public insurance fills in the gap for many low-income individuals, more than one-third of whom are insured through public programs. Still, one in five (20.6 percent) low-income individuals under age 65 is uninsured.

Figure 1-6. Sources of Insurance (and Uninsured) by Region, 2000

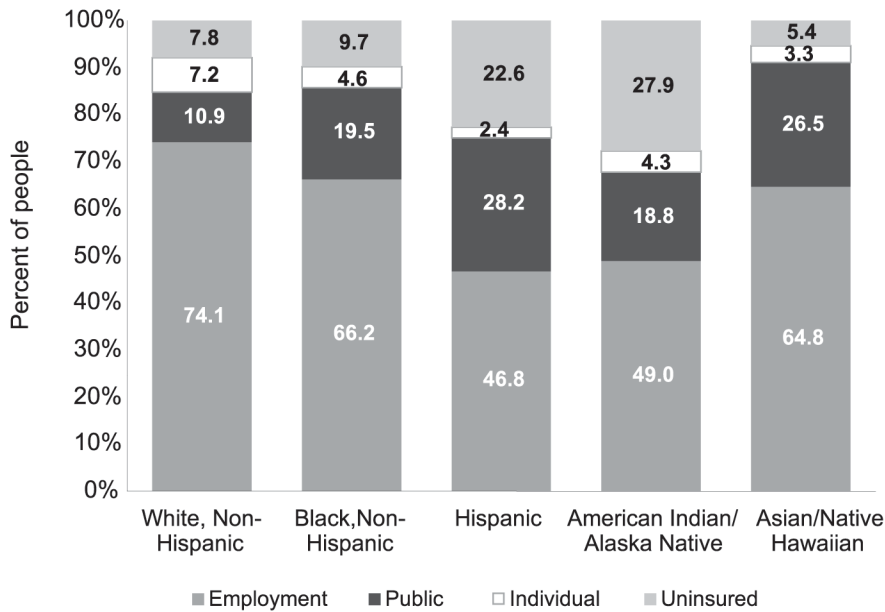


Source: 2000 Washington State Population Survey. Data refer to the population under 65.

Regions and counties are: **Clark**: Clark; **Other Puget Metro**: Kitsap, Pierce, Snohomish, Thurston; **King**: King; **Spokane**: Spokane; **West Balance**: Clallam, Cowlitz, Grays Harbor, Jefferson, Klickitat, Lewis, Mason, Pacific, Skamania, Wahkiakum; **Yakima-Tri-Cities**: Benton, Walla Walla, Yakima; **North Puget Sound**: Island, San Juan, Skagit, Whatcom; **East Balance**: Adams, Asotin, Chelan, Columbia, Douglas, Ferry, Franklin, Garfield, Grant, Kittitas, Lincoln, Okanogan, Pend Oreille, Stevens, Whitman.

Coverage also varies by region. Three out of four of the population under 65 has an employment-based plan in highly urbanized Clark and King counties, and in the other parts of the Puget Sound metro area. In the more rural counties, employment-based plans cover about two-thirds of the population or less. For public coverage, a reverse pattern exists, with one in ten King County residents covered by a public plan, in contrast to almost one in four with public coverage in the Yakima/Tri-Cities area.

Figure 1-7. Insurance Coverage by Race or Ethnicity, 2000

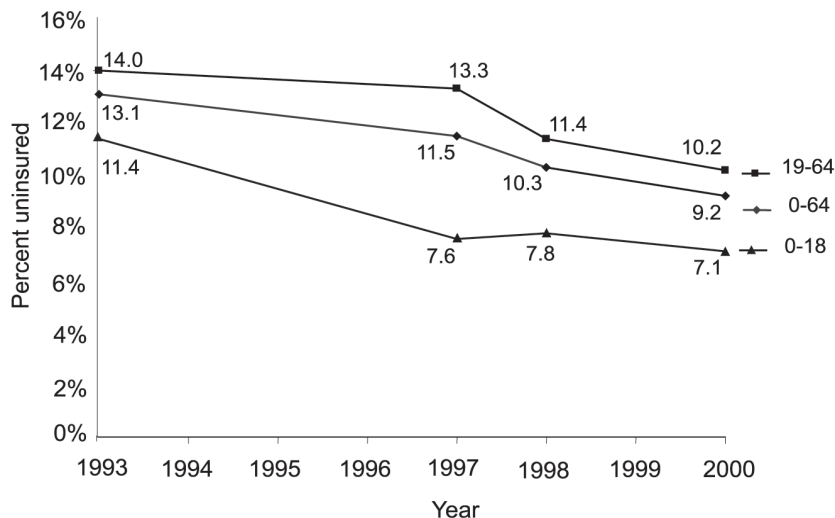


Source: 2000 Washington State Population Survey. Data refer to the population under 65.

Insurance coverage also varies by race and ethnicity. Three out of four non-Hispanic Whites have an employer plan, but only about half of Hispanic and American Indians have employment-based insurance. More than a quarter of Hispanics and Asians/Native Hawaiians have public insurance. American Indians/Alaska Natives have the highest uninsured rate, at 27.9 percent, and over one in five Hispanics is uninsured.

How Have Insurance Sources Changed Over Time?

Figure 1-8. Uninsured Rates by Age, 1993-2000



Source: 1993, 1997, RWJF Washington Family Health Insurance Survey; 1998, 2000, Washington State Population Survey. Data refer to the population under 65.

During the 1990s, the uninsured rate in Washington declined steadily, according to surveys commissioned by The Robert Wood Johnson Foundation and the Washington State Office of Financial Management. These four surveys indicate that the uninsured rate for adults aged 19 to 64 dropped from 14.0 percent in 1993 to 10.2 percent in 2000. For children, the uninsured rate dropped from 11.4 percent to 7.1 percent over this period.*

*For a comparison of surveys with Washington State data, see Rutgers University Center for State Health Policy, Research Deliverable 1.0. *Data for Assessing Access to Health Insurance Coverage in Washington State*, April 2002.

Figure 1-9. Sources of Insurance Coverage, 1993 to 2000

	1993	1997	1998	2000
Employment-based	70.9	68.8	68.0	70.7
Public	8.9	12.5	13.3	13.7
Individual	7.1	7.2	8.4	6.4
Uninsured	13.1	11.5	10.3	9.2

Source: 1993, 1997, RWJF Washington Family Health Insurance Survey; 1998, 2000, Washington State Population Surveys. Data refer to the population under 65.

A major factor in the declining rate of uninsurance is the expanding role of public insurance. During the 1993-2000 period, public insurance increased its role, while employment-based insurance remained stable, resulting in an overall decline in the proportion of uninsured.

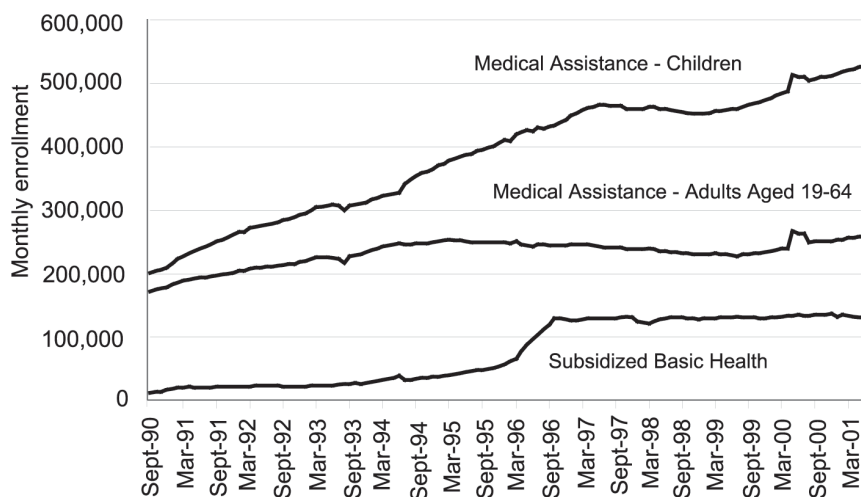
The timeline below identifies major enrollment milestones and expansions in public programs during this period.

Figure 1-10. Major Public Program Changes in Washington, 1989-2000

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Basic Health*	Basic Health (BH) enrollment begins		First BH "wait list" imposed		BH goes state-wide; Non-subsidized program begins	BH Plus (children) begins enrollment to 200% FPL	BH home-worker and employer groups created					
Medicaid	First Steps program (infants and pregnant women) created	Children's Medicaid expands to 133% FPL (aged 1-5)	Children up to Aged 18 covered to 100% FPL	Children Aged 19 covered to 100% FPL	"Healthy Options" Medicaid managed care begins	Children's Medicaid Eligibility Expansion to 200% FPL to age 19	Healthy Options (Medicaid managed care) now statewide		Work-First TANF program implemented	Medicaid outreach begins in numerous counties		Medicaid outreach operating in 36 counties; CHIP enrollment begins

*A complete history of Basic Health is available at www.wa.gov/hca/basichealth/bhhistory.htm.

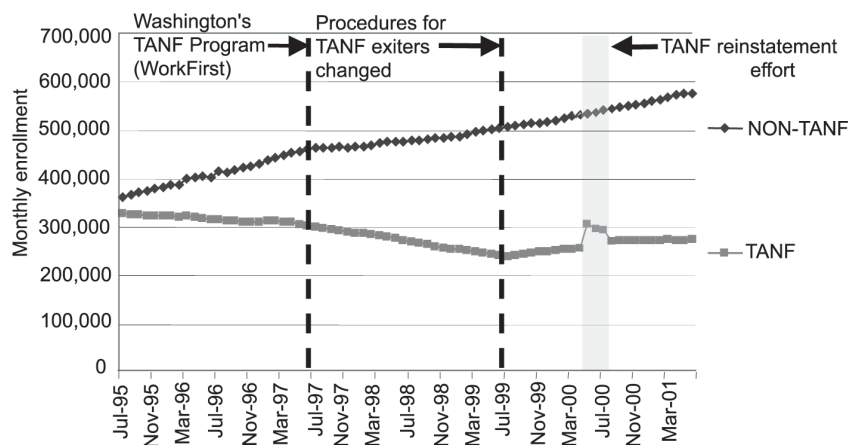
Figure 1-11. Medical Assistance and Basic Health Enrollment, September 1990 Through June 2001



Source: Medical Assistance Administration Database, Health Care Authority enrollment history file.

The chart at left documents the steady expansion of public health insurance. The subsidized Basic Health program expanded from less than 25,000 in 1993 (as a pilot program) to 130,000 in 1997, remaining at approximately that level through mid-2001. In 1994, eligibility for the Children's Medicaid program expanded to 200 percent FPL, and enrollment of children increased from 317,000 in January 1993 to over 500,000 by May 2000. The number of adults on Medical Assistance grew through 1995, dropped slightly from then to 1999, and began to rise again after that.

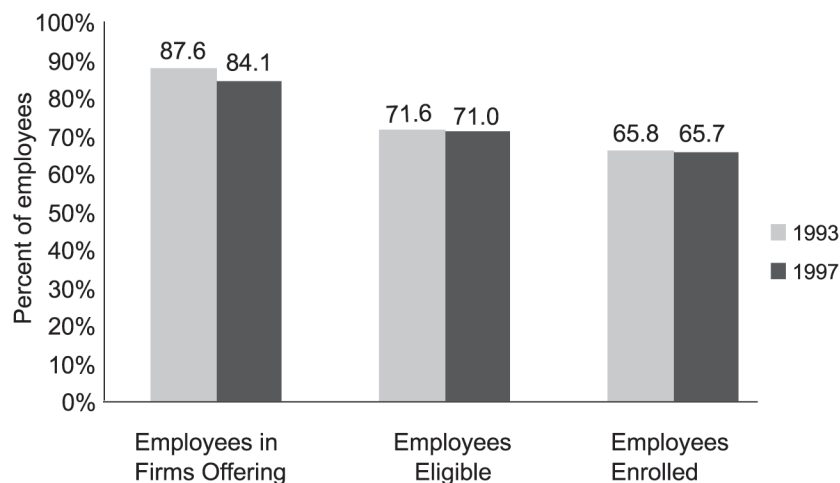
Figure 1-12. Effect of Washington's WorkFirst Program on Medicaid Enrollment



Source: HPAP analysis of Medical Assistance Administration database.

Welfare reforms contributed to a reduction in total Medicaid enrollment between 1997 and 2000, although these changes were counteracted to some extent by increasing enrollment in other areas, especially the Children's Medicaid program. The implementation of Washington's TANF program, WorkFirst, in mid-1997 caused the TANF-related Medicaid enrollment to decline. TANF Medicaid enrollment began to increase again in mid-1999 after the state began to implement new Medicaid procedures for families leaving welfare. A TANF reinstatement effort in mid-2000 for those erroneously removed from Medicaid had little long-term enrollment effect.

Figure 1-13. Employment-Based Insurance: Offer, Eligibility, and Enrollment Rates, 1993 and 1997



Source: 1993 National Employer Health Insurance Survey (NEHIS); 1997 RWJF Employer Health Insurance Survey. Data refer to Washington employees only.

The role of employment-based coverage and individual coverage did not change significantly over the 1993-1997 period. This stability is illustrated by data from two employer surveys that indicate little change in the percent of employees in companies offering coverage, the percent of employees eligible for coverage, and the percent of employees enrolled. Regulatory efforts to increase access to and affordability of coverage for small employers in Washington were tried in the 1990s, but available evidence indicates that these reforms had little effect on the employment-based system.*

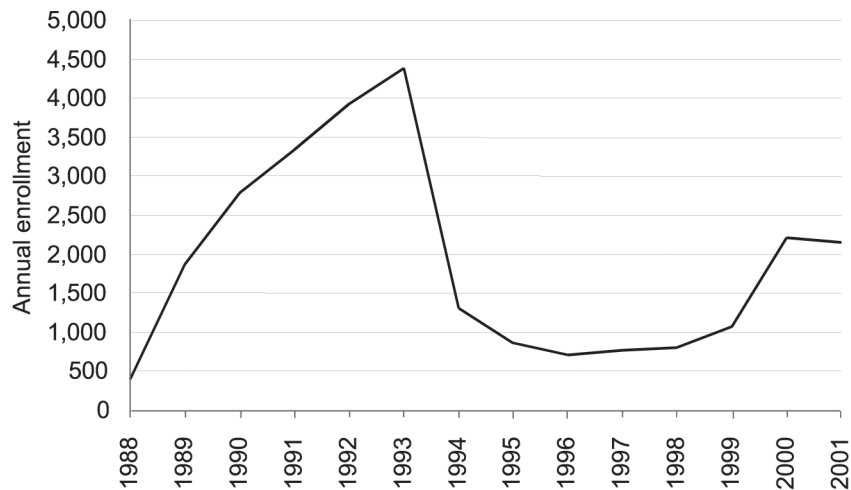
* M. Susan Marquis and Stephen H. Long, "Effects of 'Second Generation' Small Group Health Insurance Market Reforms, 1993 to 1997," *Inquiry*, Vol. 38 No. 4, Winter 2001/2002, pp. 365-380.

The timeline below illustrates some major changes in regulation of private markets designed to increase access generally or in the employer or individual market.

Figure 1-14. Major Changes in Market Regulation in Washington, 1988-2000

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
High risk pool created (up to 150% of small group rates)		Legislation authorizes small group plans without mandated benefits			Health Services Act: Uniform Benefit and coverage mandates, guaranteed issue, etc.	Guaranteed issue, 90 days pre-existing, portability implemented	Uniform benefit and coverage mandates repealed	High risk pool closed exc. for Medicare			Commercial insurers close enrollment in individual plans	Individual market reopened; pre-existing condition exclusion expanded to 9 months
						Insurance open enrollment with no waiting period declared	Commercial "BH look alike" model plans created				High risk pool opened to those unable to get individual plans	Insurers allowed to exclude 8% of riskiest applicants

Figure 1-15. Enrollment in the High-Risk Pool, 1988 to 2001



Source: Data from Washington State Health Insurance Pool.

The individual insurance market fluctuated between 6 and 8 percent of the population between 1993 and 2000. A high-risk pool, created in 1988, was designed to provide insurance to the sickest individuals who would otherwise be priced out of the individual market. Regulations in the 1993 Health Services Act requiring guaranteed issue and shortening the preexisting condition exclusion period for insurers opened the commercial market to higher-risk individuals. This led to declining enrollment in the pool, which went from 4,400 in 1993 to 700 in 1996. Soon, however, growing losses among carriers, most of which they attributed to the individual market, led to a series of market withdrawals by the larger insurers. By 2000, the private individual market was closed to new enrollees. Correspondingly, enrollment in the high-risk pool began to increase again.

The passage in 2000 of the Health Insurance Reform Act led to the reentry of insurers into the individual market in 2001, with the high-risk pool taking on a new role. The law allows companies to screen out up to 8 percent of the least healthy applicants, who are then eligible to apply for coverage in the high-risk pool.